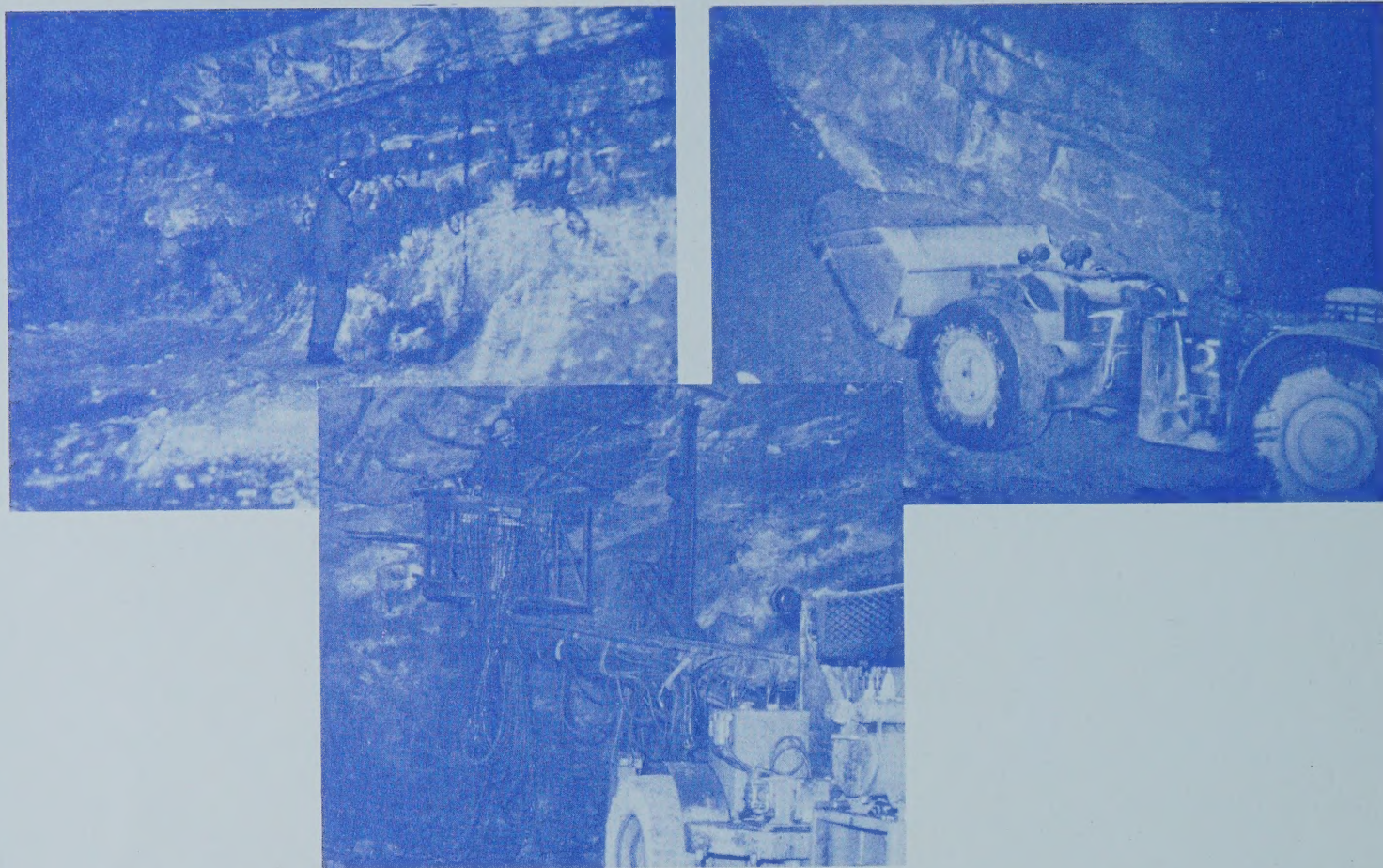


**CANADA TUNGSTEN MINING
CORPORATION LIMITED**



ANNUAL REPORT 1978

Typical underground mining scenes at Canada Tungsten



Mill Site, Tungsten, N.W.T.

CANADA TUNGSTEN MINING CORPORATION LIMITED

CORPORATE

Executive Office

1600 - 1066 West Hastings St., Vancouver, B.C.

Head Office

Suite 600, 365 Bay St., Toronto, Ont.

Officers

J.B. Redpath, Chairman of the Board
C. Allen Born, President and Chief Executive Officer
M.K. Coffin, Secretary and Treasurer
P.M. Cain, General Manager

Directors

John B. Aird, Toronto
C. Allen Born, Vancouver
J.M. Richard Corbet, Toronto
Dr. E.B. Gillanders, Vancouver
John W. Goth, Greenwich, Conn.
J.B. Redpath, Toronto
H.A. Sawyer, JR., Greenwich, Conn.

Transfer Agents and Registrars

Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto, Ont.

Bankers

Canadian Imperial Bank of Commerce
Vancouver, B.C.

Auditors

Deloitte Haskins & Sells
Royal Centre, Vancouver, B.C.

OPERATING

Leach Plant & Whse.

80 Niobe St., North Vancouver, B.C.

Mine

Tungsten, N.W.T.
H.E. Pawson, Mine Manager
M. Swizinski, Gen. Superintendent

EXPLORATION

Office

1600 - 1066 West Hastings St., Vancouver, B.C.
L.J. D'Aigle, Exploration Manager

THE ANNUAL MEETING of the Shareholders of Canada Tungsten Mining Corporation Limited will be held on Tuesday, May 1, 1979 at 11:00 o'clock in the forenoon in the Toronto II Room, Hotel Toronto, Toronto, Ontario.

Directors' Report to the Shareholders

Your Directors present herewith the Annual Report of your Company, together with the General Manager's Report and audited financial statements for the year ended December 31, 1978.

During the year under review, your Company earned an all time record net profit of \$20,206,000 or \$4.05 per share, compared with \$16,123,000 or \$3.23 per share from 1977 operations.

This record year was accomplished despite a drop in Metal Bulletin average price for tungsten concentrate from U.S. \$155 per short ton unit ("STU") in 1977 to U.S. \$130 per STU in 1978.

TUNGSTEN MARKET

Tungsten demand remained strong in the Western World during 1978. With a more balanced supply/demand situation due to increased production by many mines and more reasonable demand from socialist countries, tungsten prices returned to a lower level during 1978. The Metal Bulletin monthly price for January, 1978 was U.S. \$150 per STU; by December it was U.S. \$127. The average price for the year was U.S. \$130 per STU or 17% lower than the 1977 average U.S. \$155.

Prices during January and February, 1979 decreased over the December, 1978 level, averaging U.S. \$11 per STU less for the first two months of the year.

PRODUCTION

The mining and milling of 194,740 tons of ore at a grade of 1.96% WO_3 produced a record 318,085 STU's of WO_3 compared with 1977 production of 185,629 tons of ore at a grade of 1.65% WO_3 and 251,813 STU's of WO_3 . Mill recovery was 83.5% compared with 82.2% for 1977. Compared with 1977, tungsten concentrate production increased by 31% WO_3 , grade was up by 16% and mill recovery increased by 1.6%. Tonnage was 5% above 1977. Targeted grade for 1979 is 1.6% WO_3 .

CANADA TUNGSTEN MINING CORPORATION LIMITED

5 Year Summary of Operating Statistics

	1978	1977	1976	1975	1974
Tons Milled	194,740	185,629	188,934	179,032	170,614
% WO ₃	1.96	1.65	1.55	1.28	1.45
STU WO ₃ Produced	318,085	251,813	238,998	162,892	177,880
Average Recovery % WO ₃	83.5	82.2	81.6	71.1	71.4
U.S. \$/STU — LMB Avg.	\$130	\$155	\$104	\$ 83	\$ 80
Earnings Per Share	\$ 4.05	\$ 3.23	\$ 1.38	\$ 0.17	\$ 0.74

ORE RESERVES

Mineable ore reserves at December 31, 1978 were 4,200,000 tons at 1.55% WO₃ unchanged from December 31, 1977. Definition diamond drilling in the orebody and the upper extension increased the mineable ore reserves by 180,000 tons in 1978. Drifting and drilling will continue during 1979 on the western extension of the orebody.

CAPITAL EXPENDITURES

Capital expenditures in 1978 amounted to \$12,933,000 of which \$10,889,000 involved the mine, mill and leach plant expansion program. The leach plant capital was approved by the Board of Directors at the August, 1978 meeting. Other capital in the amount of \$2,044,000 was expended on approved projects for underground and surface equipment and facilities.

The expenditure for completion of the expansion program is estimated to be \$3,255,000. The completion is on schedule for July, 1979.

ENVIRONMENTAL

A Water Licence for a three year period was issued in August, 1978 by an agency of the Northwest Territories.

The company to comply to the provisions of the Licence, which is an all encompassing environment permit, has completed several studies on the effects of our operation on the environment. These studies indicate our compliance with the constraints of the Water Licence requirements. The cost of these studies was \$108,000 in 1978 and a total of \$434,000 since 1975.

EXPLORATION — MINE AREA

The principal exploration work in the mine area during the 1978 season was a diamond drilling program conducted at the Baker Showing area which is located on the west side of the Flat River valley, approximately 1½ miles SE of the townsite.

Drilling at the Baker Showing commenced June 13th and was terminated due to the freeze-up of the water line at the higher elevation on September 27th. Twelve holes were drilled for a total footage of 4,324 feet.

Additional drilling is planned for 1979 in this area and an adjacent area known as the Hot Springs Zone.

Surface exploration at the mine property included geological and prospecting investigations and geochemical and geophysical follow-up of anomalous zones disclosed in the 1977 season. These surveys led to the staking of five new claim blocks comprising 125 claims. The mine property is now composed of a total of 612 contiguous claims or an area approximately 31,719 acres.

The geothermal energy source being surveyed at the mine was found to be of insufficient temperature for possible use. Further studies are contemplated for 1979.

DUBLIN GULCH PROPERTY

Placer Operations

In June, 1978 the Company purchased all the property assets of Dublin Gulch Mining Ltd. located 30 miles north of Mayo, Yukon. During last summer's exploration season, churn

drilling and cut sampling programs were conducted on the placer.

The Company entered into agreements with Queenstake Resources Ltd., whereby it granted Queenstake a 30% interest in these properties in consideration for 180,000 Queenstake shares and an option to acquire 80% and 85% interest in certain of that company's adjacent mineral claims. The agreements essentially provide that exploration, development and capital expenditures required to place the properties into production are to be incurred by Canada Tungsten and recovered from first production profits.

A production decision has been made to place the placer into operation at a rate of 2,000 cubic yards per day during the summer season of 1979.

Exploration

Geological, geochemical and geophysical surveys were conducted over a 453 claim group comprising the Dublin Gulch property during the 1978 exploration season. In preparation for the surveys approximately 54 miles of lines were cut for grid control. A total of 2,465 samples were taken in the Dublin Gulch area. Silt and soil samples were obtained from almost all drainage areas and rock samples were taken at every possible outcrop site.

The Dublin Gulch area is underlain principally by the Yukon meta sediments and tuffs. The meta sediments have been intruded by a three mile long granodiorite stock and its satellitic plugs. The most interesting unit with respect to mineralization is the Garnet Skarn zone which dips northwesterly and comes into contact with the large granodiorite stock. The exploration program for 1979 includes 3,000 feet of diamond drilling in the Garnet Skarn zone.

DIVIDENDS AND DIVIDEND POLICY

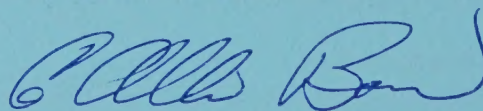
During the year under review the Company paid a dividend of \$0.25 per share and a special dividend of \$0.75 per share. The combined dividend of \$1.00 per share was paid on December 27, 1978 amounting to \$4,990,000. In declaring the special dividend the Board of Directors took into consideration the Company's good earnings for 1978 as well as the fact that no dividend had been paid since December, 1977. The Board also noted that with the completion of the current expansion programs, which will double the tonnage capacity, the Company will be in a strong financial position. The Company will continue to be engaged in vigorous exploration and will conserve this strong position in order to pursue potential investments which may result from successful exploration.

The Board of Directors will consider dividend payment on a quarterly basis.

RECOGNITION

The Directors wish to record their appreciation for the dedication of the operating management and employees which resulted in record production and made 1978 an all time record year.

On behalf of the Board,



C. ALLEN BORN,
President and Chief Executive Officer.

Toronto, Ontario,
March 9, 1979.

Report of the General Manager on Operations

The President and the Board of Directors,
Canada Tungsten Mining Corporation Limited

Dear Sirs:

The following report briefly covers the 1978 operations of the mine and mill at Tungsten, N.W.T., and the Leach Plant in North Vancouver, B.C.

MINE

During the year 181,817 tons of ore were mined grading 1.96% WO_3 . Waste rock broken totalled 66,941 tons of which 9,000 tons were used for backfill operations in the stopes.

The following development work was completed:

	<u>1978</u>	<u>1977</u>
Drifting and		
Crosscutting	3,267 feet	3,457 feet
Access Ramps	780 feet	1,465 feet
Stope Development ..	1,890 feet	1,181 feet
Raising	582 feet	265 feet
Diamond Drilling	14,740 feet	15,948 feet

The mineable ore reserve as of December 31, 1978 is estimated to be 4,200,000 tons at 1.55% WO_3 . The mineable ore reserve is based on mining 80% of the geological ore reserve after making allowance for the tonnage mined out during the year and for non-recoverable pillars. Additions to the ore reserve during 1978 offset the tonnage mined.

MILL

Overall recovery averaged 83.5% and the concentrator operated at the rate of 534 tons per day with operating time at 97.7%. The mill treated 194,740 tons grading 1.96% WO_3 with 12,923 tons drawn from the ore stockpile. Total production was 318,085 STU's.

SURFACE

The mill expansion construction proceeded satisfactorily during 1978. Construction work completed includes enclosing the primary crusher, erecting a 1,000 ton coarse ore bin and a 500 ton fine ore bin, installing an additional secondary crusher and installing a new screen

and additional conveyors. The new water system was completed and made operational by mid-year.

The new powerhouse was completed by year-end and will be commissioned in March, 1979.

During 1978, nine new houses were erected, the recreation hall was enlarged and the cookhouse was expanded. New equipment purchased included a mine compressor, an underground personnel carrier and an underground high scaler.

GENERAL

Operations at the North Vancouver Leach Plant were satisfactory with an overall recovery of 95.8%.

Two year contracts with the three USWA locals were signed. The two agreements at Tungsten expire October 31, 1980 and the agreement in North Vancouver expires December 31, 1980. The negotiations were completed without any major disruptions to the operations.

I would like to thank all the employees for their hard work and cooperation during the year; their efforts contributed most significantly to making 1978 the Company's most successful year ever.

Respectfully submitted,

Peter M. Cain,
General Manager.

March 8, 1979.

BALANCE SHEET AS

(with prior year's fi

ASSETS

	1978 (000)	1977 (000)
CURRENT ASSETS:		
Cash and short-term deposits	\$20,918	\$ 7,797
Accounts receivable	8,505	8,669
Inventories of concentrates	1,339	1,701
Income taxes recoverable	—	1,673
Prepaid expenses	199	215
Total current assets	<u>30,961</u>	<u>20,055</u>
INVESTMENTS:		
Oil and gas properties (Note 2)	5,000	5,000
Shares of Queenstake Resources Ltd. (Note 3)	591	—
Total investments	<u>5,591</u>	<u>5,000</u>
FIXED ASSETS (Note 4):		
Property, plant and equipment	32,546	15,149
Less accumulated depreciation	9,569	8,530
	<u>22,977</u>	<u>6,619</u>
Construction in progress	3,190	8,019
Net fixed assets	<u>26,167</u>	<u>14,638</u>
OTHER ASSETS:		
Inventory of materials and supplies — at cost	1,807	1,656
Deferred mining expenses	287	208
Unamortized deferred preproduction and development costs	2,501	2,822
Development properties and related deferred costs (Note 5)	684	—
Total other assets	<u>5,279</u>	<u>4,686</u>
TOTAL	<u>\$67,998</u>	<u>\$44,379</u>

The accompanying notes are an integral part of the financial statements.

AUDITOR

To the Shareholders of
Canada Tungsten Mining Corporation Limited:

We have examined the balance sheet of Canada Tungsten Mining Corporation Limited as at December 31, 1978 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

T DECEMBER 31, 1978

es for comparison)

CANADA TUNGSTEN MINING
CORPORATION LIMITED

(Incorporated under The Business Corporations Act, Ontario)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1978 (000)	1977 (000)
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 3,628	\$ 3,269
Northwest Territories royalty payable	1,563	728
Income taxes payable	3,467	—
Total current liabilities	8,658	3,997
DEFERRED INCOME TAXES (Note 6)	10,829	7,087
SHAREHOLDERS' EQUITY:		
Share capital:		
Authorized — 10,000,000 shares without nominal or par value (Note 7)		
Issued and fully paid — 4,990,000 shares	3,617	3,617
Retained earnings	44,894	29,678
Total shareholders' equity	48,511	33,295
TOTAL	\$67,998	\$44,379

Approved by the Board:

C. ALLEN BORN Director

J. M. R. CORBET Director

REPORT

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 30, 1979
Vancouver, B.C.

DELOITTE HASKINS & SELLS
Chartered Accountants

**CANADA TUNGSTEN MINING
CORPORATION LIMITED**

STATEMENT OF INCOME
For the Year Ended December 31, 1978
(with prior year's figures for comparison)

	1978 (000)	1977 (000)
INCOME FROM OPERATIONS BEFORE THE		
UNDERNOTED (Note 8)	\$30,427	\$24,629
INTEREST ON SHORT-TERM DEPOSITS	1,468	639
	31,895	25,268
OTHER COSTS AND EXPENSES:		
Depreciation	1,306	1,263
Amortization of deferred preproduction and development costs	321	256
Exploration	1,109	926
Northwest Territories royalty	1,576	728
Total other costs and expenses	4,312	3,173
INCOME BEFORE INCOME TAXES	27,583	22,095
PROVISION FOR INCOME TAXES (Note 6):		
Current	3,635	304
Deferred	3,742	5,668
Total provision for income taxes	7,377	5,972
NET INCOME FOR THE YEAR	\$20,206	\$16,123
EARNINGS PER SHARE	\$4.05	\$3.23

STATEMENT OF RETAINED EARNINGS
For the Year Ended December 31, 1978
(with prior year's figures for comparison)

	1978 (000)	1977 (000)
RETAINED EARNINGS AT BEGINNING OF THE YEAR .	\$29,678	\$16,197
NET INCOME FOR THE YEAR	20,206	16,123
	49,884	32,320
DIVIDENDS		
(1978 — \$1.00 per share; 1977 — \$0.53 per share)	4,990	2,642
RETAINED EARNINGS AT END OF THE YEAR	\$44,894	\$29,678

The accompanying notes are an integral part of the financial statements.

CANADA TUNGSTEN MINING CORPORATION LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1978

(with prior year's figures for comparison)

	1978 (000)	1977 (000)
WORKING CAPITAL PROVIDED:		
From operations:		
Net income for the year	\$20,206	\$16,123
Items not affecting working capital:		
Depreciation	1,306	1,263
Amortization of deferred preproduction and development costs	321	256
Deferred income taxes	3,742	5,668
Loss on disposal of property, plant and equipment	80	69
Provided from operations	25,655	23,379
Proceeds on disposal of equipment	18	116
Total	<u>25,673</u>	<u>23,495</u>
WORKING CAPITAL APPLIED:		
Additions to property, plant, equipment and construction in progress	12,933	10,089
Investment in oil and gas properties	—	5,000
Investment in shares of Queenstake Resources Ltd. . .	591	—
Purchase of development properties and related deferred costs	684	—
Dividends	4,990	2,642
Materials and supplies	151	148
Deferred mining expenses	79	208
Total	<u>19,428</u>	<u>18,087</u>
INCREASE IN WORKING CAPITAL FOR THE YEAR ...	6,245	5,408
WORKING CAPITAL AT BEGINNING OF THE YEAR ...	16,058	10,650
WORKING CAPITAL AT END OF THE YEAR	<u>\$22,303</u>	<u>\$16,058</u>

The accompanying notes are an integral part of the financial statements.

CANADA TUNGSTEN MINING CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1978

1. Summary of Significant Accounting Policies:

Foreign currency translation

Foreign currency revenue and expense transactions are translated into Canadian dollars at the average monthly rate of exchange. Current assets and current liabilities are translated at the rate of exchange at the year-end.

Inventories of concentrates

Inventories of concentrates are valued at the lower of cost or net realizable value. Cost is determined on the moving average basis and does not include depreciation or amortization of deferred preproduction and development costs.

Investment in oil and gas properties

It is the company's policy to capitalize the cost of its investment in oil and gas properties and to record depletion against revenues from oil and gas investments (no revenue received to date) using the unit-of-production method based on the company's share of total estimated recoverable reserves.

The company considers that investments in oil and gas properties are distinct from its mining operations and has adopted the policy that income tax reductions relating to this investment (Note 2) are recorded as deferred income taxes. As revenue is earned from the oil and gas properties, the deferred income taxes previously recorded will be reflected as a recovery of deferred income taxes in the statement of income to offset the increase in the current tax provision which will result from the revenue received. Should the properties be abandoned, the cost of the investment and the related deferred income taxes would be written off to income.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Expenses for repairs and maintenance are charged to operating expense as incurred. Replacements and major improvements are capitalized.

Prior to 1978, depreciation of buildings, plant and equipment was provided at 15% per annum on a straight-line basis. During the year, the company completed a review of the estimated remaining useful life of the operating assets. Based on the results of the review, the company has revised the calculation of depreciation effective January 1, 1978 to the following bases:

Buildings, plant and major equipment — depreciated over the estimated life of the ore body at current and projected production levels, determined to be 15 years.

Other items, principally mobile equipment, trailer bunkhouses and small vehicles are depreciated over 5 years or such shorter period as their useful life shall be determined.

The effect of this change in 1978 was to reduce depreciation expense by \$895,000, and to increase net income by \$662,000 or 13¢ per share.

Deferred preproduction and development costs

Preproduction and development costs related to the underground ore body are deferred and charged to income over the estimated life of the ore body on the basis of units sold.

Exploration and development costs

Costs of exploring for new ore occurrences are charged to income in the year in which they are incurred. Costs relating to properties acquired for development are deferred until production commences.

Income taxes

Investment tax credits as shown in Note 6 are accounted for as a reduction of the provision for income taxes in the year of the related fixed asset additions.

2. Investment in Oil and Gas Properties:

In 1977, the company invested \$5,000,000 as a participant in a drilling program in the Beaufort Sea. The agreement provides that the company is entitled to a 1% net profits interest in future production from specified properties. The company is not required to contribute any amounts in excess of the \$5,000,000 to the drilling program.

As a result of making this investment, income taxes have been reduced by \$448,000 in 1978; \$3,455,000 in 1977. The aggregate reduction of income taxes has been reflected as deferred income taxes (Note 6).

The balance of the income tax reduction relating to this investment of \$580,000 calculated at current rates, will be realized in future years through depletion claims and recorded as deferred income taxes at that time.

3. Investment in Queenstake Resources Ltd.

During the year, the company acquired 180,000 shares of Queenstake Resources Ltd. ("Queenstake") in consideration for granting an option on mineral properties (Note 5) and 410,875 shares for cash. The company's investment of 590,875 shares represents a 30% interest in Queenstake and is carried at cost which approximates its equity therein at December 31, 1978. This investment is expected to reduce to 20% through Queenstake's initial public offering and a further issue of shares for properties. The shares held by the company are subject to trading restrictions under a pooling agreement. The company has an option to purchase further treasury shares in order to maintain its 20% interest.

4. Property, Plant and Equipment:

The major categories of property, plant and equipment are as follows:

	1978	1977
Buildings, plant and major equipment	\$27,717,000	\$10,469,000
Other items — principally mobile equipment, trailer bunkhouses and small vehicles	4,704,000	4,555,000
Land	125,000	125,000
	<u>\$32,546,000</u>	<u>\$15,149,000</u>

The company undertook a major expansion of its mining and milling facility in 1977. Construction in progress includes the costs incurred on certain aspects of this program which remain uncompleted at December 31, 1978 and costs incurred to date on expansion of the leach plant. The estimated remaining costs to complete these projects approximate \$3,255,000.

CANADA TUNGSTEN MINING CORPORATION LIMITED

5. Development Properties:

The company purchased certain mineral properties in the Dublin Gulch area, Yukon Territories during the year for \$600,000. The company then entered into an agreement with Queenstake Resources Ltd. ("Queenstake") whereby it granted Queenstake a 30% interest in these properties in consideration for 180,000 Queenstake shares and an option to acquire a 70% interest in certain of that company's adjacent mineral claims. The agreement essentially provides that exploration, development, and capital expenditures required to place the properties into production are to be incurred by the company and recovered from first production profits. Under the provisions of two other agreements with Queenstake, the company has been granted options to acquire 80% and 85% interests in certain other mineral properties in return for conducting certain exploration work.

6. Income Taxes:

Deferred income taxes result from timing differences in the recognition of income and expense for income tax and accounting purposes. The deferred income taxes in respect of these differences are as follows:

	1978	1977
Deferred preproduction and development costs deducted for income tax purposes in excess of amounts amortized .	\$ 972,000	\$ 841,000
Capital cost allowance deducted for income tax purposes in excess of depreciation recorded in the accounts	5,954,000	2,756,000
Exploration expenses and depletion claimed for income tax purposes related to investment in oil and gas properties (Note 2)	3,903,000	3,455,000
Other	—	35,000
	<u>\$10,829,000</u>	<u>\$ 7,087,000</u>

The rate of income tax expense on earnings before tax varies from the combined Statutory, Federal, Provincial, and Territory rates as follows:

	1978		1977	
	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings
Computed income tax expense	\$12,688,000	46.0%	\$10,164,000	46.0%
Increase (decrease) in income taxes resulting from:				
Non-deductible royalties	725,000	2.6	335,000	1.5
Resource allowance	(3,305,000)	(12.0)	(2,651,000)	(12.0)
Income tax depletion	(1,831,000)	(6.6)	(1,559,000)	(7.0)
Investment tax credit	(918,000)	(3.3)	(374,000)	(1.7)
Other	18,000	—	57,000	.2
Income tax expense	<u>\$ 7,377,000</u>	<u>26.7%</u>	<u>\$ 5,972,000</u>	<u>27.0%</u>

7. Share Capital:

During the year, the authorized share capital of the company was changed and increased from 5,000,000 shares of a par value of \$1 each to 10,000,000 shares without nominal or par value.

8. Sales Disclosure:

Pursuant to Section 173 of The Business Corporations Act, Ontario, an order was obtained from the Ontario Securities Commission permitting the company to omit disclosure of sales in the statement of income for the years ended December 31, 1978 and 1977.

9. Commitments and Contingent Liability:

The company is committed under leases for office premises expiring in 1981 and 1983 to maximum annual rentals of \$118,000 and under leases for certain mining equipment expiring in 1981 to maximum annual rentals of \$307,000.

In connection with the installation of new telecommunications services to the mine during the year, the company has agreed to make up any shortfall of Canadian National Telecommunications revenues from the facility below stated annual minimums. The annual minimum increases from \$309,000 in the first year to \$479,000 in the tenth year. Should the company cancel the agreement during this ten-year term, it is subject to a lump-sum payment which reduces from \$658,000 over the term of the contract to \$nil.

10. Remuneration of Directors and Senior Officers:

Remuneration of directors and senior officers, as defined in The Business Corporations Act, Ontario, amounted to \$330,000 for the year ended December 31, 1978 (\$255,000 in 1977).

ALASKA

BEAUFORT SEA

YUKON TERRITORY NORTHWEST TERRITORIES

Great Bear Lake

Fairbanks

CREST EXPLORATIONS

Anchorage

Dawson

DUBLIN GULCH

UNITED KENO HILL MINES
Keno Hill

MAC TUNG

Port Radium

CYPRUS ANVIL MINING CORP. LTD.

Ross River

CANADA TUNGSTEN MINING CORPORATION LIMITED

Haines Jct.

WHITEHORSE

Rae

Yellowknife

Teslin

Watson Lake

Great Slave Lake

Haines

Skagway

CASSIAR ASBESTOS CORP.

PINE POINT MINES LTD.

BRITISH COLUMBIA

PACIFIC OCEAN

GRANDUC MINES

CLIMAX MOLYBDENUM CORP. OF B.C. LTD.

Fort Nelson

MACKENZIE HIGHWAY

Lake Athabaska

Fort St. John

Peace River

Prince Rupert

Dawson Creek

ALBERTA

Prince George

EDMONTON

SASKATCHEWAN

P.G.E.

CALGARY

VANCOUVER

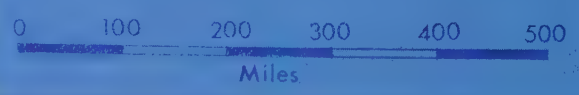
MEDICINE HAT

VICTORIA

SEATTLE

SPOKANE

UNITED STATES



**CANADA TUNGSTEN MINING
CORPORATION LIMITED**

STATEMENT OF INCOME

For the Three Months Ended March 31, 1978
(with 1977 figures for comparison)
(Unaudited) in Canadian \$

	<u>1978</u> (000)	<u>1977</u> (000)
Income from Operations before write-off	\$ 7,503	\$ 5,315
Interest income	<u>141</u>	<u>—</u>
	\$ 7,644	\$ 5,315
Less:		
Depreciation	630	375
Amortization	74	62
Exploration Expense	21	36
Provision for taxes	<u>2,214</u>	<u>1,453</u>
	<u>2,939</u>	<u>1,926</u>
Net Income for the period	<u>\$ 4,705</u>	<u>\$ 3,389</u>
Net Income per Share	<u>94¢</u>	<u>68¢</u>

PRODUCTION STATISTICS

For the Three Months Ended March 31, 1978

	<u>1978</u>	<u>1977</u>
Tons Milled	49,953	48,347
% WO ₃	1.84%	1.63%
Short Ton Units		
WO ₃ Produced ...	77,125	64,782
Average Mine Recovery		
WO ₃	84.0%	81.0%

**CANADA TUNGSTEN MINING
CORPORATION LIMITED**



REVIEW

of the

**ANNUAL MEETING
TORONTO, THURSDAY, APRIL 27, 1978**

and

**INTERIM REPORT
FOR QUARTER ENDED MARCH 31, 1978**

CANADA TUNGSTEN MINING CORPORATION LIMITED

TO THE SHAREHOLDERS:

Following is a review of the Annual Meeting held in Toronto on April 27th, 1978:

The Annual Report of the Company was presented to the meeting, reviewed and accepted.

The unaudited after tax net income for the first quarter of 1978 was \$4,705,000 or \$0.94 per share compared with \$3,389,000 or \$0.68 per share for the same period last year.

Mine production for the first quarter was 77,125 STU of WO_3 from 49,953 tons of ore grading 1.84% WO_3 . WO_3 recovery for the period was 84.0%. The unusually high ore grade experienced in the first quarter is expected to drop back closer to the reserve grade of 1.55% by mid-year.

Sales volume for the first quarter of 1978 has remained strong; however, Metal Bulletin quoted prices have dropped 9.4% in the first quarter from the 1977 average of \$155 per STU.

During the next three years increased tungsten production can be anticipated from at least four mines including our own. The announced increases will approximate a 21% increase in Western World production equivalent to a supply growth of 7% per year. During this same period the anticipated demand growth will be 4.5% per year. Less dependence on the GSA Stockpile by the consumers is expected during this period.

The status of the General Services Administration (GSA) Stockpile in the United States indicated a Stockpile excess of 66.3 million pounds of contained tungsten on

December 31, 1977. The total inventory of the Stockpile was 109.0 million pounds of contained tungsten with a Stockpile objective of 42.7 million pounds. Actual sales for the calendar year 1977 were 3.6 million pounds and the current disposal program for 1978 calls for the release of a maximum 1.0 million pounds per month over this fiscal year.

Construction work for the expansion of mine and mill capacity from 500 to 1,000 tons per day is on schedule with completion anticipated in mid-1979. During 1978 it is expected that the primary and secondary crushing circuits and the installation of the power generating equipment will be completed.

The major thrust of our exploration program for 1978 will be the diamond drilling of certain tungsten anomalies in the mine area and the continuation of the adit into the western extension of the ore body. The geothermal program to probe for a geothermal source will commence at the mine-site after spring breakup.

By-Laws number one, two and three and the Special Resolution to change the capital of the Corporation were confirmed without variation.

Directors elected were: J. B. Aird, C. A. Born (President and Chief Executive Officer), J. M. R. Corbet, E. B. Gillanders, J. W. Goth, J. B. Redpath (Chairman of the Board), and H. A. Sawyer, Jr.

The Company's auditors, Deloitte, Haskins & Sells, Chartered Accountants, were re-appointed.

On behalf of the Board,

C. A. BORN,
President and Chief Executive Officer.
Toronto, Ontario.
May 8, 1978.

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CANADA TUNGSTEN MINING CORPORATION LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended June 30, 1978.

(with 1977 figures for comparison)

(unaudited — in Canadian \$)

	<u>1978</u>	<u>1977</u>
	(000's)	(000's)
WORKING CAPITAL PROVIDED:		
From operations:		
Net income for the period ..	\$ 10,282	\$ 7,492
Items not affecting working capital:		
Depreciation	1,260	750
Amortization of deferred pre-production and development expense ..	<u>166</u>	<u>125</u>
Provided from operations...	11,708	8,367
WORKING CAPITAL APPLIED:		
Additions to fixed assets ...	6,119	1,798
Increase in supplies inventory	255	61
Dividends	—	918
Purchase of mining lands ...	<u>600</u>	<u>—</u>
	<u>6,974</u>	<u>2,777</u>
Increase in working capital .	4,734	5,590
Working capital at beginning of period	<u>16,058</u>	<u>10,650</u>
Working capital at end of period	<u>\$ 20,792</u>	<u>\$ 16,240</u>

CANADA TUNGSTEN MINING CORPORATION LIMITED



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INTERIM REPORT

FOR THE SIX MONTH PERIOD ENDED

JUNE 30, 1978

CANADA TUNGSTEN MINING CORPORATION LIMITED

TO THE SHAREHOLDERS:

The unaudited after tax net income for the first six months of 1978 was \$10,282,000 or \$2.06 per share, compared with \$7,491,000 or \$1.50 per share for the same period last year.

Mine production for the first half of 1978 was a record 168,553 STU of WO₃ from 99,371 tons of ore grading 2.0% WO₃. First half WO₃ recovery was 84.6%.

Sales volume has remained strong for the first six months of 1978. However, world wide market prices have dropped significantly. Mid August 1978 quoted prices are around U.S. \$120 per short ton unit of WO₃ compared with the 1977 Metal Bulletin annual average price of U.S. \$155 per STU of WO₃.

The expansion construction to increase mine and mill capacity to 1,000 TPD continues on schedule with completion scheduled in mid 1979.

Diamond drilling is continuing on certain tungsten occurrences in the mine area. A report will be issued at the conclusion of the drilling season. The exploration drilling for a geothermal source at the mine area has been concluded for 1978 with one hole being drilled through the aquifer into the basement rock. Although hot water was encountered in the hole, it is not presently known if sufficient temperature, quality or quantity are available in the aquifer for industrial use at the mine. The results of the drilling are presently being evaluated by the Company's geothermal consultant.

The Company has purchased all the property assets of Dublin Gulch Mining Company located 30 miles north of Mayo, Yukon. The Company has also entered into an agreement with Queenstake Resources Ltd., of Vancouver, B.C., to evaluate both placer and hard-rock potential in the Dublin Gulch and Haggart Creek areas of the Yukon. This area has potential for tungsten, tin and gold recovery.

On behalf of the Board,
C. ALLEN BORN,
President and Chief Executive Officer.

Toronto, Ontario.
August 16, 1978.

CANADA TUNGSTEN MINING CORPORATION LIMITED

STATEMENT OF INCOME

For the Six Months Ended June 30, 1978.
(with 1977 figures for comparison)
(unaudited — in Canadian \$)

	1978	1977
	(000's)	(000's)
Income from operations before the undernoted (note)	\$ 16,547	\$ 12,086
Interest income	334	145
	<u>16,881</u>	<u>12,231</u>
Other costs and expenses		
Depreciation	1,260	750
Amortization	166	125
Exploration	334	340
Northwest Territories royalty	756	—
	<u>2,516</u>	<u>1,215</u>
Income before taxes	14,365	11,016
Provision for income taxes ..	4,083	3,525
Net income for period	<u>\$ 10,282</u>	<u>\$ 7,491</u>
Net income per share	<u>\$ 2.06</u>	<u>\$ 1.50</u>

NOTE: Pursuant to Section 173 of the Business Corporations Act, Ontario, orders have been obtained from the Ontario Securities Commission permitting the company to omit disclosure of sales in the Statement of Income.

PRODUCTION STATISTICS

For the Six Months Ended June 30, 1978.
(with 1977 figures for comparison)

	1978	1977
Tons Milled	99,371	97,872
% WO ₃	2.00	1.65
STU WO ₃ Produced	168,553	132,756
Average Recovery % WO ₃ ..	84.6	82.0